

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Wexford County Airport Authority		County Wexford
Audit Date 12/31/05	Opinion Date 1/11/06	Date Accountant Report Submitted to State: 2/13/06		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

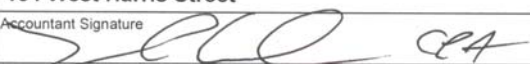
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 West Harris Street		City Cadillac	State MI
		ZIP 49601	
Accountant Signature 		Date 3/27/06	

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)

YEAR ENDED DECEMBER 31, 2005

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2005

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CADILLAC, MICHIGAN

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

January 11, 2006

INDEPENDENT AUDITORS' REPORT

To The Members of the Board
Wexford County Airport Authority
(A Component Unit of Wexford County)
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wexford County Airport Authority, Cadillac, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Airport Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wexford County Airport Authority's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wexford County Airport Authority, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages iii through ix and 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepting in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wexford County Airport Authority's, basic financial statements. The individual fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2005

The management of the Wexford County Airport Authority offers this narrative overview and analysis of the financial activities of the Airport for the fiscal year ended December 31, 2005 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Airport's financial activity. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements as a whole.

Financial Highlights

Government-Wide

- ❖ The assets of the Airport exceeded its liabilities at the close of this fiscal year by \$2,194,657 (shown as *Net Assets*). Of the net assets \$174,394 is unrestricted, the remaining assets are invested in capital assets net of related debt.

Fund Level Financial Highlights

- ❖ As of December 31, 2005, the governmental funds of the Wexford County Airport Authority reported combined ending fund balances of \$59,775 of which \$17,475 is unreserved.

Debt

- ❖ The Wexford County Airport Authority's total debt decreased by \$16,002 during the fiscal year. As of December 31, 2005, the Airport is not obligated under any long-term debt.

Overview of the Financial Statements

The Wexford County Airport Authority's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Airport's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Airport as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

The *Statement of Net Assets* (Page 1) presents information on all of the Airport's assets and liabilities, the difference between the two being reported as the Net Assets of the Airport. Over time, increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Airport is improving or deteriorating. An increase in net assets would indicate an improvement in financial

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2005

condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* (Page 2) gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Airport that are principally supported by fuel sales and contributions from local units (governmental activities) from other functions that are intended to recover all or most of their costs through rents, user fees and charges (business-type activities). Governmental activities of the Airport include general government and capital improvements. Business-type activities of the Airport include the operation of T-Hangar rental buildings.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. All of the Airport's funds are considered major funds.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Wexford County Airport Authority uses fund accounting to ensure compliance with finance-related legal requirements. The Airport has two basic types of funds: governmental funds and proprietary funds.

Governmental Funds Many of the Airport's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Airport include the Operating Fund and Capital Improvement Fund.

Proprietary Funds Proprietary funds account for services for which the Airport charges its customers for the services they are provided. The Airport has the following:

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2005

- Enterprise funds are used to report business-like activities of the Airport. These activities intend to recover the full cost of the services through the rent charged to the customers. The T-Hangar Fund is an Enterprise Fund.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements. The notes can be found beginning on Page 10 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements. This information can be found beginning on Page 21 of this report.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Airport's financial position over time. The Net Assets of the Airport are \$2,194,657 at December 31, 2005, meaning that the Airport's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	\$ 63,306	\$ 64,810	\$ 124,516	\$ 110,821	\$ 187,822	\$ 175,631
Capital Assets	1,847,167	1,877,331	173,096	195,752	2,020,263	2,073,083
Total Assets	\$ 1,910,473	\$ 1,942,141	\$ 297,612	\$ 306,573	\$ 2,208,085	\$ 2,248,714
 Total Liabilities	 \$ 12,397	 \$ 26,585	 \$ 1,031	 \$ 2,131	 \$ 13,428	 \$ 28,716
 Net Assets						
Invested in capital assets net of related debt	\$ 1,847,167	\$ 1,861,329	\$ 173,096	\$ 195,752	\$ 2,020,263	\$ 2,057,081
Unrestricted	50,909	54,227	123,485	108,690	174,394	162,917
Total Net Assets	\$ 1,898,076	\$ 1,915,556	\$ 296,581	\$ 304,442	\$ 2,194,657	\$ 2,219,998

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2005

The most significant portion of the Airport's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Airport used to acquire or construct the asset. The Airport has \$174,394 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Airport policies regarding their use.

The following table illustrates and summarizes the results of the changes in the Net Assets for the Airport. The condensed information was derived from the government-wide Statement of Activities.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<u>Revenues</u>						
Program Revenues						
Charges for Services	\$ 272,661	\$ 205,002	\$ 54,772	\$ 58,044	\$ 327,433	\$ 263,046
Operating Grants and Contributions	71,800	71,800	0	0	71,800	71,800
Capital Grants and Contributions	164,910	170,000	0	0	164,910	170,000
General Revenues						
Unrestricted						
Investment Earnings	577	501	1,851	627	2,428	1,128
Other	3,354	3,164	0	0	3,354	3,164
Total Revenues	\$ 513,302	\$ 450,467	\$ 56,623	\$ 58,671	\$ 569,925	\$ 509,138
<u>Expenses</u>						
General Government	\$ 561,782	\$ 426,364	\$ 0	\$ 0	\$ 561,782	\$ 426,364
T-Hanger	0	0	33,484	34,358	33,484	34,358
Total Expenses	\$ 561,782	\$ 426,364	\$ 33,484	\$ 34,358	\$ 595,266	\$ 460,722
Changes in Net Assets Before Transfers	\$ (48,480)	\$ 24,103	\$ 23,139	\$ 24,313	\$ (25,341)	\$ 48,416
Transfers In (Out)	31,000	26,565	(31,000)	(26,565)	0	0
Increase (Decrease) in Net Assets	\$ (17,480)	\$ 50,668	\$ (7,861)	\$ (2,252)	\$ (25,341)	\$ 48,416
Beginning Net Assets	1,915,556	1,864,888	304,442	306,694	2,219,998	2,171,582
Ending Net Assets	\$ 1,898,076	\$ 1,915,556	\$ 296,581	\$ 304,442	\$ 2,194,657	\$ 2,219,998

Financial Analysis of the Government's Funds

Governmental Activities At the completion of the Airport's fiscal year ended December 31, 2005, its governmental funds reported fund balances of \$59,775. Of this amount, \$17,475 is unreserved.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2005

Operating Fund – The Operating Fund is the main operating fund of the Airport. The Operating Fund increased its fund balance in this fiscal year by \$12,330, bringing the balance to \$59,775.

Capital Improvement Fund – The Capital Improvement Fund is used to account for financial resources to be used for the acquisition of equipment or construction of capital facilities other than those financed by the Proprietary Fund. During the year the fund expended \$13,920 of its available fund balance on capital improvements that cost \$13,594 paid for with available fund balance. The remaining fund balance at year end is \$0.

Proprietary Funds The Airport's proprietary fund provides virtually the same information as the government-wide statements, however more detail may be found in the fund financial statements.

T-hangar Fund – The Airport's T-Hangar Fund is an enterprise fund used to account for all the acquisitions and operations of hangar buildings which the Authority leases out for storage of private aircrafts. The T-Hangar Fund currently has no debt as all the hangers are now paid for. For the year ended December 31, 2005, the fund decreased net assets by \$7,861 to \$296,581. Of these net assets, \$173,096 are invested in capital assets and the remaining \$123,485 is unrestricted. Excess funds generated by this fund will be used in the future for building maintenance and possibly hanger expansion.

General Fund Budgetary Highlights

Over the course of the year, the Airport revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Airport's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements for the Operating Fund and the Capital Improvements Fund.

Capital Asset and Debt Administration

Capital Assets

At December 31, 2005, the Airport had net capital assets of \$2,020,263 invested in broad range of capital assets. The following table breaks down the various components of the Airport's capital assets.

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 97,700	\$ 27,300	\$ 0	\$ 125,000

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2005

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, being depreciated				
Buildings	\$ 811,721	\$ 100,000	\$ 0	\$ 911,721
Land improvements	2,572,179	8,360	0	2,580,539
Office equipment and Furniture	8,752	0	0	8,752
Machinery and equipment	257,466	0	4,230	253,236
 Total capital assets, being depreciated	 \$ 3,650,118	 \$ 108,360	 \$ 4,230	 \$ 3,754,248
Less accumulated depreciation for:				
Buildings	\$ 217,225	\$ 25,556	\$ 1,418	\$ 241,363
Land Improvements	1,432,040	128,609	0	1,560,649
Office equipment and Furniture	7,249	472	30	7,691
Machinery and equipment	213,973	8,405	0	222,378
 Total accumulated depreciation	 \$ 1,870,487	 \$ 163,042	 \$ 1,448	 \$ 2,032,081
 Total capital assets, being depreciated, net	 \$ 1,779,631	 \$ (54,682)	 \$ 2,782	 \$ 1,722,167
 Governmental activities capital assets, net	 \$ 1,877,331	 \$ (27,382)	 \$ 2,782	 \$ 1,847,167

Business-Type Activities

Capital assets, being depreciated				
Buildings and building improvements	\$ 530,515	\$ 0	\$ 0	\$ 530,515
Land improvements	104,459	0	0	104,459
 Total capital assets, being depreciated	 \$ 634,974	 \$ 0	 \$ 0	 \$ 634,974
Less accumulated depreciation for:				
Buildings and building improvements	\$ 371,132	\$ 18,520	\$ 0	\$ 389,652
Land improvements	68,090	4,136	0	72,226
 Total accumulated depreciation	 \$ 439,222	 \$ 22,656	 \$ 0	 \$ 461,878

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR YEAR ENDED DECEMBER 31, 2005

Business-type activities capital assets, net	\$	<u>195,752</u>	\$	<u>(22,656)</u>	\$	<u>0</u>	\$	<u>173,096</u>
Net capital per Statement of Net Assets							\$	<u>2,020,263</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:		
General Government	\$	<u>163,042</u>
Business-type activities:		
T-Hangar	\$	<u>22,656</u>

Debt

At the end of this year, the Airport had \$0 in a contract loan outstanding versus \$16,002 in the previous year. The loan consisted of the following:

	<u>2005</u>	<u>2004</u>
Flexible Airline Fuel Farm Loan	\$ <u>0</u>	\$ <u>16,002</u>

The other obligation is for employee-compensated absences as follows:

Employee-compensated absences	\$ <u>8,866</u>	\$ <u>6,812</u>
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Economic Factors and Next Year's Budgets and Rates

- Over the past several years, the Airport has experienced flat or declining revenues and increasing costs. As the Airport looks to the future the Airport will consider ways to manage its budget in order to continue to provide services to the public.

Contacting the Airport's Financial Management

This financial report is designed to provide the Airport's citizens, customers, investors and creditors with a general overview of the Airport's finances and to demonstrate the Airport's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Wexford County Airport Authority, 8040 E 34 Mile Road, Cadillac, Michigan 49601.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2005

	<u>Assets</u>	Governmental Activities	Business-Type Activities	Total
<u>Current Assets</u>				
Cash		\$ 23,448	\$ 115,313	\$ 138,761
Accounts Receivable		5,342	1,419	6,761
Internal Balances		(7,784)	7,784	0
Inventories		41,750	0	41,750
Prepaid Expenses		550	0	550
Total Current Assets		<u>\$ 63,306</u>	<u>\$ 124,516</u>	<u>\$ 187,822</u>
<u>Non Current Assets</u>				
Capital Assets		\$ 3,879,248	\$ 634,974	\$ 4,514,222
Less Accumulated Depreciation		(2,032,081)	(461,878)	(2,493,959)
Total Non Current Assets		<u>\$ 1,847,167</u>	<u>\$ 173,096</u>	<u>\$ 2,020,263</u>
Total Assets		<u>\$ 1,910,473</u>	<u>\$ 297,612</u>	<u>\$ 2,208,085</u>
	<u>Liabilities and Net Assets</u>			
<u>Liabilities</u>				
<u>Current Liabilities</u>				
Accounts Payable		\$ 1,124	\$ 0	\$ 1,124
Payroll Withholding Payable		2,220	0	2,220
Compensated Absences		8,866	0	8,866
Customer Deposits Payable		187	1,031	1,218
Total Current Liabilities		<u>\$ 12,397</u>	<u>\$ 1,031</u>	<u>\$ 13,428</u>
<u>Net Assets</u>				
Invested in Capital Assets		\$ 1,847,167	\$ 173,096	\$ 2,020,263
Unrestricted		50,909	123,485	174,394
Total Net Assets		<u>\$ 1,898,076</u>	<u>\$ 296,581</u>	<u>\$ 2,194,657</u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General Government	\$ 561,782	\$ 272,661	\$ 71,800	\$ 164,910	\$ (52,411)	\$ 0	\$ (52,411)
Business-type Activities							
T-Hanger	33,484	54,772	0	0	0	21,288	21,288
Total	<u>\$ 595,266</u>	<u>\$ 327,433</u>	<u>\$ 71,800</u>	<u>\$ 164,910</u>	<u>\$ (52,411)</u>	<u>\$ 21,288</u>	<u>\$ (31,123)</u>
<u>GENERAL REVENUES</u>							
Unrestricted Investment Earnings					\$ 577	\$ 1,851	\$ 2,428
Other Revenues					3,354	0	3,354
Transfers					31,000	(31,000)	0
Total General Revenues and Transfers					<u>\$ 34,931</u>	<u>\$ (29,149)</u>	<u>\$ 5,782</u>
Change in Net Assets					<u>\$ (17,480)</u>	<u>\$ (7,861)</u>	<u>\$ (25,341)</u>
<u>NET ASSETS</u> - Beginning of Year					<u>1,915,556</u>	<u>304,442</u>	<u>2,219,998</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 1,898,076</u>	<u>\$ 296,581</u>	<u>\$ 2,194,657</u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

DECEMBER 31, 2005

	Operating Fund	Capital Improvement Fund	Total Governmental Funds
	<hr/>		
<u>Assets</u>			
Cash	\$ 23,448	\$ 0	\$ 23,448
Receivables (Net, Where Applicable, of Allowances for Uncollectables):			
Accounts	5,342	0	5,342
Inventory - Fuel	41,750	0	41,750
Prepaid Expenses	550	0	550
	<hr/>		
Total Assets	\$ 71,090	\$ 0	\$ 71,090
	<hr/>		
<u>Liabilities and Fund Balance</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,124	\$ 0	\$ 1,124
Payroll Withholdings	2,220	0	2,220
Due to Other Funds	7,784	0	7,784
Customer Deposits	187	0	187
	<hr/>		
Total Liabilities	\$ 11,315	\$ 0	\$ 11,315
	<hr/>		
<u>Fund Balance</u>			
Reserved for Inventory and Prepaid Expenses	\$ 42,300	\$ 0	\$ 42,300
Unreserved, Undesignated	17,475	0	17,475
	<hr/>		
Total Fund Balances	\$ 59,775	\$ 0	\$ 59,775
	<hr/>		
Total Liabilities and Fund Balance	\$ 71,090	\$ 0	\$ 71,090
	<hr/>		

The notes to the financial statements are an integral part of this statement.

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CADILLAC, MICHIGAN

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS

DECEMBER 31, 2005

Total Governmental Fund Balances	\$	59,775
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is	\$ 3,879,248		
Accumulated depreciation is	<u>(2,032,081)</u>	1,847,167	

Long term liabilities are not due and payable in the current period and are not reported in the funds.

Compensated Absences		<u>(8,866)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u><u>1,898,076</u></u>
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The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2005

	Operating Fund	Capital Improvement Fund	Total Governmental Funds
<u>Revenues</u>			
Federal Grants	\$ 31,733	\$ 0	\$ 31,733
State Grants	33,177	0	33,177
Contributions from Local Units	71,800	0	71,800
Charges for Services	226,220	0	226,220
Interest and Rents	46,692	326	47,018
Other Revenue	103,354	0	103,354
	<hr/>		
Total Revenues	\$ 512,976	\$ 326	\$ 513,302
	<hr/>		
<u>Expenditures</u>			
General Government	\$ 379,984	\$ 0	\$ 379,984
Capital Outlay	135,660	13,920	149,580
Debt Service			
Principal	16,002	0	16,002
	<hr/>		
Total Expenditures	\$ 531,646	\$ 13,920	\$ 545,566
	<hr/>		
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (18,670)	\$ (13,594)	\$ (32,264)
<u>Other Financing Sources (Uses)</u>			
Transfers In	31,000	0	31,000
	<hr/>		
Net Change in Fund Balance	\$ 12,330	\$ (13,594)	\$ (1,264)
<u>Fund Balance - Beginning of Year</u>	47,445	13,594	61,039
	<hr/>		
<u>Fund Balance - End of Year</u>	\$ 59,775	\$ 0	\$ 59,775
	<hr/>		

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2005

Net change in Fund Balances Total Governmental Funds	\$ (66,174)
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(163,042)
Capital Outlay	135,660

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balances by the cost of the capital assets sold net of accumulated depreciation.

	(2,782)
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Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

	16,002
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Employees compensated absences are reported on the accrual method in the statement of activities, and recorded as expenditures when financial resources are used in the governmental funds.

Compensated Absences - Beginning of Year	6,812
Compensated Absences - End of Year	<u>(8,866)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (82,390)</u>
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The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUND

DECEMBER 31, 2005

	<u>T-Hanger Fund</u>
<u>Assets</u>	
<u>Current Assets</u>	
Cash	\$ 115,313
Receivables (Net, Where Applicable, of Allowances for Uncollectables):	
Accounts	1,419
Due from Other Funds	<u>7,784</u>
Total Current Assets	<u>\$ 124,516</u>
<u>Property, Plant and Equipment</u>	
Buildings and Improvements	\$ 530,515
Taxiways	<u>104,459</u>
	\$ 634,974
Less Accumulated Depreciation	<u>(461,878)</u>
Total Property, Plant and Equipment	<u>\$ 173,096</u>
Total Assets	<u>\$ 297,612</u>
<u>Liabilities and Net Assets</u>	
<u>Liabilities</u>	
Customer Deposits	<u>\$ 1,031</u>
<u>Net Assets</u>	
Invested in Capital Assets	\$ 173,096
Unrestricted	<u>123,485</u>
Total Net Assets	<u><u>\$ 296,581</u></u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

DECEMBER 31, 2005

	<u>T-Hanger Fund</u>
<u>Operating Revenues</u>	
Charges for Services	<u>\$ 54,772</u>
<u>Operating Expenses</u>	
Utilities	\$ 2,119
Insurance	2,781
Repair and Maintenance	794
Snow Removal	3,600
Depreciation	22,656
Service Charges	309
Audit	<u>1,225</u>
Total Operating Expenses	<u>\$ 33,484</u>
Operating Income (Loss)	\$ 21,288
<u>Nonoperating Revenues (Expenses)</u>	
Interest Income	<u>1,851</u>
Income (Loss) Before Transfers	\$ 23,139
<u>Transfers</u>	
Transfers In (Out)	
Operating Fund	<u>\$ (31,000)</u>
Change in Net Assets	\$ (7,861)
<u>Net Assets - Beginning of Year</u>	<u>304,442</u>
<u>Net Assets - Ending of Year</u>	<u><u>\$ 296,581</u></u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

DECEMBER 31, 2005

	<u>T-Hanger Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers and Users	\$ 49,387
Payment to Suppliers	(10,828)
Transfers In (Out)	(31,000)
Net Cash Provided by Operating Activities	<u>\$ 7,559</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	<u>\$ 1,851</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 \$ 9,410
 <u>Cash and Cash Equivalents</u> - Beginning of Year	 <u>105,903</u>
<u>Cash and Cash Equivalents</u> - End of Year	<u>\$115,313</u>
 Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	<u>\$ 21,288</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	\$ 22,656
(Increase) Decrease in Current Assets	
Accounts Receivable	(46)
Due from Other Funds	(4,239)
Increase (Decrease) in Current Liabilities	
Customer Deposits Payable	(1,100)
Transfers In (Out)	(31,000)
Total Adjustments	<u>\$ (13,729)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 7,559</u></u>

The notes to the financial statements are an integral part of this statement.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Wexford County Airport Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Airport's accounting policies are described below.

A. Reporting Entity

The Wexford County Airport Authority is organized to own and operate the Wexford County Airport at Cadillac, Michigan. The Authority board is composed of seven members, four of whom are appointed by Wexford County and three of whom are appointed by the City of Cadillac. As such, the Authority is considered to be a component unit of Wexford County.

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governments. The Authority grants credit to its customers for hangar rental and aviation fuel sales, of which the majority are based in the Cadillac, Michigan area.

For external financial reporting purposes, the Authority includes all funds that are controlled by or dependent on the Authority's legislative branch.

B. Government-wide and Fund Financial Statements

The Airport has adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Airport as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government has the following fund types:

Governmental funds are used to account for the authority's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The authority considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

GOVERNMENTAL FUNDS include the following fund types:

The *Operating Fund* of the Authority is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Authority. Revenues are derived primarily from fuel sales and contributions from local units.

The *Capital Improvement Fund* is used to account for financial resources to be used for the acquisition of equipment or construction of capital facilities (other than those financed by the Proprietary Fund).

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Proprietary funds include the T-Hangar Fund which is an enterprise fund used to account for all the acquisitions and operations of hangar buildings which the Authority leases out for storage of private aircraft.

The fund is operated in a manner similar to a private business where the intent of the Authority is that the costs (expenses, including depreciation) of providing this service to the general public on a continuing basis be financed or recovered through user charges.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Airport Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

- i. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- ii. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Wexford County Airport Authority at the Authority's organizational meeting after each regular election of members.
- iii. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- iv. Repurchase agreements consisting of instruments listed in (i).

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

- v. Banker's acceptances of United States banks.
- vi. Obligations of this state or any of its political subdivisions that at the time of purchase are rated investment grade by not less than one standard rating service.
- vii. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789 15 U.S.C. 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by the Authority. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- viii. Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.512.
- ix. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.118.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the Airport are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Hangers	25
Equipment and Furniture	10-20
Improvements	20
Land	N/A
Vehicles	10

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated value on the date donated.

5. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for nonvesting, unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. On the government-wide statements, this liability is recorded.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to December 31, the Airport manager submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Once the Airport Authority Board approves the budget, it is submitted to the Wexford County Board of Commissioners and the Cadillac City Council for approval of their respective appropriations for Airport operations.
3. Budgets are adopted on the same modified accrual basis used to reflect actual revenues and expenditures.
4. Budgeted amounts are as originally adopted or as amended, by the Authority Board, from time to time during the year.
5. All appropriations lapse at year end.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

B. Excess of Expenditures Over Appropriations

Excess of expenditures over appropriations occurred in the following fund: Operating Fund expenditures of \$531,646 exceeded appropriations of \$372,310 by \$159,336.

NOTE 3. DETAILED NOTES

A. Deposits and Investments

The Airport's deposits and investments are on deposit with various institutions.

Investment rate risk. The Airport will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Airport's cash requirements.

Foreign currency risk. The Airport does not have a policy on this type of risk.

Credit risk. The Airport will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Airport's investment policy; and pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the Airport will do business in accordance with the Airport's investment policy.

Concentration of credit risk. The Airport will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Airport's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2005, \$0 of the Airport's bank balance of \$173,404 was exposed to custodial credit risk.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Airport's investments are categorized to give an indication of the level of risk assumed by the Airport at year end. Category 1 includes investments that are insured or registered, or securities held by the Airport or the Airport's agent in the Airport's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Airport's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Airport's name. At year end, the Airport held no investments.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

B. Receivables

Receivables as of year end for the government's individual major funds, including the applicable allowances for uncollectible accounts are as follows:

	Governmental Activities	Business-type Activities	Totals
Accounts	\$ 5,342	\$ 1,419	\$ 6,761

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 97,700	\$ 27,300	\$ 0	\$ 125,000
Capital assets, being depreciated				
Buildings	\$ 811,721	\$ 100,000	\$ 0	\$ 911,721
Land improvements	2,572,179	8,360	0	2,580,539
Office equipment and Furniture	8,752	0	0	8,752
Machinery and equipment	257,466	0	4,230	253,236
Total capital assets, being depreciated	\$ 3,650,118	\$ 108,360	\$ 4,230	3,754,248
Less accumulated depreciation for:				
Buildings	\$ 217,225	\$ 25,556	\$ 1,418	\$ 241,363
Land Improvements	1,432,040	128,609	0	1,560,649
Office equipment and Furniture	7,249	472	30	7,691
Machinery and equipment	213,973	8,405	0	222,378
Total accumulated depreciation	\$ 1,870,487	\$ 163,042	\$ 1,448	\$ 2,032,081
Total capital assets, being depreciated, net	\$ 1,779,631	\$ (54,682)	\$ 2,782	\$ 1,722,167
Governmental activities capital assets, net	\$ 1,877,331	\$ (27,382)	\$ 2,782	\$ 1,847,167

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities</u>				
Capital assets, being depreciated				
Buildings and building improvements	\$ 530,515	\$ 0	\$ 0	\$ 530,515
Land improvements	104,459	0	0	104,459
	<hr/>			<hr/>
Total capital assets, being depreciated	\$ 634,974	\$ 0	\$ 0	\$ 634,974
	<hr/>			<hr/>
Less accumulated depreciation for:				
Buildings and building improvements	\$ 371,132	\$ 18,520	\$ 0	\$ 389,652
Land improvements	68,090	4,136	0	72,226
	<hr/>			<hr/>
Total accumulated depreciation	\$ 439,222	\$ 22,656	\$ 0	\$ 461,878
	<hr/>			<hr/>
Business-type activities capital assets, net	\$ 195,752	\$ (22,656)	\$ 0	\$ 173,096
Net capital per Statement of Net Assets				<u>\$ 2,020,263</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ <u>163,042</u>
Business-type activities:	
T-Hangar	\$ <u>22,656</u>

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2005, were:

<u>FUND</u>	INTERFUND RECEIVABLES	INTERFUND PAYABLES
Operating Fund	\$ 0	\$ 7,784
Enterprise Funds		
T-Hangar Fund	<u>7,784</u>	<u>0</u>
	<hr/>	<hr/>
	\$ 7,784	\$ 7,784

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

E. Leases

The Authority owns and/or operates hangar buildings which it leases out to private plane owners. These leases are all annual or month-to-month leases. The Authority leases facilities to a fixed base operator on an annual basis. There are no long-term lease commitments.

F. Debt

The following is a summary of debt transactions of the Wexford County Airport Authority for the year ended December 31, 2005:

	COMPENSATED ABSENCES	NOTE PAYABLE FUEL FARM	TOTAL
Debt Payable at January 1, 2005	\$ 6,812	\$ 16,002	\$ 22,814
Additions	4,050	0	4,050
Reductions	(1,996)	(16,002)	(17,998)
Debt Payable at December 31, 2005	<u>\$ 8,866</u>	<u>\$ 0</u>	<u>\$ 8,866</u>

Debt payable at December 31, 2005, is comprised of the following:

Compensated absences, vested sick, and vacation pay owed to Airport employees as prescribed by the Airport's Employee Handbook.	<u>\$ 8,866</u>
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G. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Airport has reserved fund balances in the operating fund. This reserve is detailed in the following schedule:

FUND BALANCE

Reserved	
Operating Fund	
Inventory and Prepaids	<u>\$ 42,300</u>

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4. OTHER INFORMATION

A. Risk Management

The Authority has purchased a commercial insurance policy in order to minimize any potential risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims have not exceeded coverage limits in any of the last three years.

B. Subsequent Event

In January 2006, the Airport cleared an aviation easement at a cost of \$156,449. The Airport will pay for 2.5% of the project and the balance will be paid by federal and state grants.

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2005

	OPERATING FUND				CAPITAL IMPROVEMENT FUND			
	Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
<u>Revenues</u>								
Federal Grants	\$ 0	\$ 0	\$ 31,733	\$ 31,733	\$ 165,000	\$ 165,000	\$ 0	\$ (165,000)
State Grants	5,000	5,000	33,177	28,177	5,000	5,000	0	(5,000)
Contributions from Local Units	70,000	70,000	71,800	1,800	0	0	0	0
Charges for Services	173,140	225,490	226,220	730	0	0	0	0
Interest and Rents	49,008	48,486	46,692	(1,794)	600	600	326	(274)
Other Revenue	0	3,525	103,354	99,829	0	0	0	0
Total Revenues	<u>\$ 297,148</u>	<u>\$ 352,501</u>	<u>\$ 512,976</u>	<u>\$ 160,475</u>	<u>\$ 170,600</u>	<u>\$ 170,600</u>	<u>\$ 326</u>	<u>\$ (170,274)</u>
<u>EXPENDITURES</u>								
General Government	\$ 294,260	\$ 372,310	\$ 379,984	\$ (7,674)	\$ 0	\$ 0	\$ 0	\$ 0
Capital Outlay	0	0	135,660	(135,660)	155,500	148,000	13,920	134,080
Debt Service	0	0	16,002	(16,002)	0	0	0	0
Total Expenditures	<u>\$ 294,260</u>	<u>\$ 372,310</u>	<u>\$ 531,646</u>	<u>\$ (159,336)</u>	<u>\$ 155,500</u>	<u>\$ 148,000</u>	<u>\$ 13,920</u>	<u>\$ 134,080</u>
Excess of Revenues Over (Under) Expenditures	\$ 2,888	\$ (19,809)	\$ (18,670)	\$ 1,139	\$ 15,100	\$ 22,600	\$ (13,594)	\$ (36,194)
<u>OTHER FINANCING SOURCES (USES)</u>								
Transfers In (Out)	<u>\$ (5,000)</u>	<u>\$ 10,000</u>	<u>\$ 31,000</u>	<u>\$ 21,000</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 0</u>	<u>\$ (5,000)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	\$ (2,112)	\$ (9,809)	\$ 12,330	\$ 22,139	\$ 20,100	\$ 27,600	\$ (13,594)	\$ (41,194)
<u>FUND BALANCE</u> - Beginning of Year	<u>47,445</u>	<u>47,445</u>	<u>47,445</u>	<u>0</u>	<u>13,594</u>	<u>13,594</u>	<u>13,594</u>	<u>0</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 45,333</u>	<u>\$ 37,636</u>	<u>\$ 59,775</u>	<u>\$ 22,139</u>	<u>\$ 33,694</u>	<u>\$ 41,194</u>	<u>\$ 0</u>	<u>\$ (41,194)</u>

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

OPERATING FUND

COMPARATIVE BALANCE SHEET

DECEMBER 31,

	2005	2004
<u>ASSETS</u>		
Cash	\$ 23,448	\$ 19,434
Accounts Receivable		
Trade (Net of \$1,200 Allowance for Uncollectibles)	5,342	2,651
Due from Other Funds		
Capital Improvement Fund	0	13,883
Inventory - Fuel	41,750	18,387
Prepaid Insurance	550	406
TOTAL ASSETS	<u>\$ 71,090</u>	<u>\$ 54,761</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 1,124	\$ 0
Payroll Withholdings	2,220	1,502
Due to Other Funds	7,784	3,545
Customer Deposits	187	120
Accrued Payroll	0	2,149
Total Liabilities	<u>\$ 11,315</u>	<u>\$ 7,316</u>
<u>FUND BALANCE</u>		
Reserved for:		
Inventory and Prepaid Expense	\$ 42,300	\$ 18,793
Unreserved		
Undesignated	17,475	28,652
Total Fund Balance	<u>\$ 59,775</u>	<u>\$ 47,445</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 71,090</u>	<u>\$ 54,761</u>

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2004

	2005		2004
	BUDGET	ACTUAL	ACTUAL
<u>REVENUES</u>			
Federal Grants	\$ 0	\$ 31,733	\$ 0
State Grants	\$ 5,000	\$ 33,177	\$ 0
Contributions from Local Units			
Wexford County	\$ 40,000	\$ 40,000	\$ 40,000
City of Cadillac	30,000	31,800	31,800
Total Contributions from Local Units	\$ 70,000	\$ 71,800	\$ 71,800
Charges for Services			
Operating Fees	\$ 1,540	\$ 1,410	\$ 260
Landing Fees	2,600	2,720	2,011
100 Low Lead Fuel Sales	105,000	107,303	98,121
Jet Fuel Sales	115,000	113,616	65,480
Oil Sales	80	69	77
Resale Items	1,270	1,102	898
Total Charges for Services	\$ 225,490	\$ 226,220	\$ 166,847
Interest and Rents			
Interest Income	\$ 200	\$ 251	\$ 95
Rental Income			
Hangar Rental and Tie Downs	\$ 11,000	\$ 10,204	\$ 10,498
Airport Facility Rental	33,686	32,637	24,657
Equipment Rental	3,600	3,600	3,000
Total Rental Income	\$ 48,286	\$ 46,441	\$ 38,155
Total Interest and Rents	\$ 48,486	\$ 46,692	\$ 38,250

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Other Revenue			
Refunds and Rebates	\$ 3,500	\$ 3,329	\$ 3,164
Contributions and Donations from Private Sources	0	100,000	170,000
Commissions	25	25	0
Total Other Revenue	\$ 3,525	\$ 103,354	\$ 173,164
Total Revenues	\$ 347,501	\$ 448,066	\$ 450,061

EXPENDITURES

Personal Services			
Managers' Salary	\$ 32,000	\$ 30,900	\$ 31,301
Other Wages	37,800	33,298	21,810
Contractual Services			
Board Per Diem	2,100	1,650	1,350
Professional Services	8,000	8,473	6,182
Telephone	3,250	2,805	2,690
Insurance	16,455	16,138	13,485
Repairs and Maintenance	35,900	57,765	28,629
Miscellaneous	1,600	1,491	0
Resale Supplies			
100 Low Lead Fuel	85,000	82,556	74,286
Jet Fuel	80,500	80,648	41,498
Aviation Oil	350	263	0
Other	840	785	823
Operating Supplies	8,960	9,712	5,452
Office Supplies	4,000	3,871	3,244
Utilities	11,185	10,145	7,926
Travel and Education	400	270	817
Advertising	600	549	473
Employee Fringe Benefits	17,520	15,100	14,267
Capital Outlay	0	135,660	170,700
Debt Service			
Principal	0	16,002	10,000

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

OPERATING FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

YEAR ENDED DECEMBER 31, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2004

	<u>2005</u>		<u>2004</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Miscellaneous			
Sales Tax	14,000	12,254	9,354
Fuel and Oil - Airport Use	4,300	4,278	4,145
Dues and Fees	350	340	270
Service Charges	150	259	118
Credit Card Expense	5,500	5,238	4,010
Miscellaneous	1,550	1,196	756
Total Expenditures	<u>\$ 372,310</u>	<u>\$ 531,646</u>	<u>\$ 453,586</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (19,809)</u>	<u>\$ (18,670)</u>	<u>\$ (3,525)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)			
T-Hangar Fund	\$ 15,000	\$ 31,000	\$ 26,565
Capital Improvement Fund	(5,000)	0	0
Total Transfers In (Out)	<u>\$ 10,000</u>	<u>\$ 31,000</u>	<u>\$ 26,565</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	<u>\$ (9,809)</u>	<u>\$ 12,330</u>	<u>\$ 23,040</u>
<u>FUND BALANCE</u> - Beginning of Year	<u>47,445</u>	<u>47,445</u>	<u>24,405</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 37,636</u></u>	<u><u>\$ 59,775</u></u>	<u><u>\$ 47,445</u></u>

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

CAPITAL IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET
DECEMBER 31,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Investments	\$ 0	\$ 27,477
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Due to General Fund	\$ 0	\$ 13,883
<u>FUND BALANCE</u>		
Unreserved		
Designated for:		
Facility Improvements	0	13,594
TOTAL LIABILITIES AND FUND BALANCE	\$ 0	\$ 27,477

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

CAPITAL IMPROVEMENT FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEARS ENDED DECEMBER 31,

	<u>2005</u>	<u>2004</u>
<u>REVENUES</u>		
Interest and Rents		
Interest Income	\$ 326	\$ 406
<u>EXPENDITURES</u>		
Capital Outlay - Equipment	\$ 6,516	\$ 0
Capital Outlay - Buildings	7,089	7,603
Capital Outlay - Land Improvements	315	0
Total Expenditures	\$ 13,920	\$ 7,603
Excess of Revenues		
Over (Under) Expenditures	\$ (13,594)	\$ (7,197)
<u>FUND BALANCE</u> - Beginning of Year	13,594	20,791
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 13,594

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

T-HANGAR FUND

COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$ 115,313	\$ 105,903
Accounts Receivable	1,419	1,373
Due from Other Funds	7,784	3,545
Total Current Assets	<u>\$ 124,516</u>	<u>\$ 110,821</u>
<u>FIXED ASSETS</u>		
Buildings and Improvements	\$ 530,515	\$ 530,515
Taxiways	104,459	104,459
Accumulated Depreciation	(461,878)	(439,222)
Total Fixed Assets	<u>\$ 173,096</u>	<u>\$ 195,752</u>
 TOTAL ASSETS	 <u>\$ 297,612</u>	 <u>\$ 306,573</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Customer Deposits	<u>\$ 1,031</u>	<u>\$ 2,131</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	\$ 173,096	\$ 195,752
Unrestricted	123,485	108,690
Total Net Assets	<u>\$ 296,581</u>	<u>\$ 304,442</u>

WEXFORD COUNTY AIRPORT AUTHORITY
(A Component Unit of Wexford County)
CADILLAC, MICHIGAN

T-HANGAR FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

YEARS ENDED DECEMBER 31,

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Hangar Rental	\$ 54,772	\$ 58,044
<u>OPERATING EXPENSES</u>		
Utilities	\$ 2,119	\$ 2,190
Insurance	2,781	2,106
Repair and Maintenance	794	2,562
Snow Removal	3,600	3,000
Depreciation	22,656	22,637
Service Charges	309	363
Audit	1,225	1,500
Total Operating Expenditures	\$ 33,484	\$ 34,358
Operating Income	\$ 21,288	\$ 23,686
<u>NONOPERATING REVENUES (EXPENSES)</u>		
Interest Income	1,851	627
Income (Loss) Before Transfers	\$ 23,139	\$ 24,313
<u>TRANSFERS</u>		
Transfers In (Out)		
Operating Fund	(31,000)	(26,565)
Change in Net Assets	\$ (7,861)	\$ (2,252)
<u>TOTAL NET ASSETS</u> - Beginning of Year	304,442	306,694
<u>TOTAL NET ASSETS</u> - End of Year	\$ 296,581	\$ 304,442

WEXFORD COUNTY AIRPORT AUTHORITY

(A Component Unit of Wexford County)

CADILLAC, MICHIGAN

T-HANGAR FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31,

	2005	2004
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Operating Income	\$ 21,288	\$ 23,686
Adjustments to Reconcile Net Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	22,656	22,637
Accounts Receivable (Increase) Decrease	(46)	1,279
Due to/from Other Funds (Increase) Decrease	(4,239)	8,020
Customer Deposits Increase (Decrease)	(1,100)	(396)
Transfers In (Out)	(31,000)	(26,565)
Net Cash Provided by Operating Activities	\$ 7,559	\$ 28,661
<u>CASH FLOWS FROM CAPITAL AND</u>		
<u>RELATED FINANCING ACTIVITIES:</u>		
Acquisition of Capital Assets - New Roof	\$ 0	\$ (4,400)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest Received	\$ 1,851	\$ 627
Net Increase in Cash and Cash Equivalents	\$ 9,410	\$ 24,888
<u>CASH AND CASH EQUIVALENTS - Beginning of Year</u>	105,903	81,015
<u>CASH AND CASH EQUIVALENTS - End of Year</u>	\$ 115,313	\$ 105,903